

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Kalamazoo	County Kalamazoo
Fiscal Year End December 31, 2006	Opinion Date April 14, 2007	Date Audit Report Submitted to State June 6, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

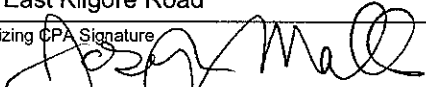
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	N/A	
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 report	
Certified Public Accountant (Firm Name) Siegfried Crandall PC		Telephone Number 269-381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 		Printed Name Joseph M Walls, CPA	License Number 1101013696

*Charter Township of Kalamazoo*  
*Kalamazoo County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended December 31, 2006*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

***Charter Township of Kalamazoo***  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The following discussion and analysis is intended as a narrative overview of the Charter Township of Kalamazoo, Michigan's operations over the fiscal year and its financial condition on December 31, 2006.

**FINANCIAL HIGHLIGHTS**

- The Township's total net assets increased \$447,457 (2 percent) as a result of this year's operations.
- Of the \$25,447,899 total net assets reported, \$4,886,205 is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$827,821, which represents 12 percent of the actual total General Fund expenditures for the fiscal year.

**Overview of the financial statements**

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are presented to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). The Township's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements.
  - The governmental funds statements tell how general government services like public works and public safety were financed in the short term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business. The Township has 3 proprietary funds to account for its golf course, economic development loans, and building inspections department.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2006 and 2005 is also presented.

### **Government-wide statements**

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets - the difference between the Township's assets and liabilities - is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and the condition of the Township's roads.

The government-wide financial statements of the Township are divided into two categories:

- *Governmental activities* - These activities include functions most commonly associated with government (e.g., general government, public safety, public works, etc.). Property taxes and intergovernmental revenues generally fund these services.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of operating the golf course and the building inspections department. The Township also charges interest on economic development loans made to businesses in the Township.

### **Fund financial statements**

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by grant agreements.
- The Township Board establishes other funds to control and manage money for particular purposes (like street, water and sewer improvements) or to show that it is properly using certain taxes and other revenues (like the street lighting, recycling and public safety capital asset millages).

The Township has three kinds of funds:

- *Governmental funds.* Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and, (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship between them.

**Charter Township of Kalamazoo**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

- *Proprietary funds.* Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-and short-term financial information.
- *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Township's fiduciary balances are reported in separate Statement of Fiduciary Net Assets - Fiduciary Funds. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE**

**Net Assets**

Total net assets at the end of the fiscal year were \$25.4 million, an increase of 2% from the prior year. However, \$19.6 million of this total is invested in capital assets, and \$904 thousand is restricted for public safety, public works, economic development, and capital outlay. Consequently, unrestricted net assets were \$4.9 million, 19% of the total.

*Condensed financial information*  
*Net assets (in thousands)*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Current and other assets	\$ 10,987.8	\$ 9,984.4	\$ 266.6	\$ 258.2	\$ 11,254.4	\$ 10,242.6
Capital assets	<u>19,578.8</u>	<u>19,532.8</u>	<u>249.6</u>	<u>265.4</u>	<u>19,828.4</u>	<u>19,798.2</u>
<b>Total assets</b>	<b><u>30,566.6</u></b>	<b><u>29,517.2</u></b>	<b><u>516.2</u></b>	<b><u>523.6</u></b>	<b><u>31,082.8</u></b>	<b><u>30,040.8</u></b>
Current and other liabilities	5,456.6	4,816.2	7.4	7.1	5,464.0	4,823.3
Long-term debt	<u>171.0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>171.0</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>5,627.6</u></b>	<b><u>4,816.2</u></b>	<b><u>7.4</u></b>	<b><u>7.1</u></b>	<b><u>5,635.0</u></b>	<b><u>4,823.3</u></b>
Net assets:						
Invested in capital assets	19,407.8	19,532.8	249.6	265.4	19,657.4	19,798.2
Restricted	739.0	482.5	165.2	175.3	904.2	657.8
Unrestricted	<u>4,792.2</u>	<u>4,468.6</u>	<u>94.0</u>	<u>75.8</u>	<u>4,886.2</u>	<u>4,544.4</u>
<b>Total net assets</b>	<b>\$ <u>24,939.0</u></b>	<b>\$ <u>24,483.9</u></b>	<b>\$ <u>508.8</u></b>	<b>\$ <u>516.5</u></b>	<b>\$ <u>25,447.8</u></b>	<b>\$ <u>25,000.4</u></b>

**Charter Township of Kalamazoo**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Changes in net assets**

The Township's total revenues are \$8,502,334 million. Approximately 45% of the Township's revenues come from property taxes, and 26% is received as state revenue sharing. About 20% of total revenues come from charges for services.

*Condensed financial information*  
*Changes in net assets (in thousands)*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Program revenues:						
Charges for services	\$ 1,529.4	\$ 1,169.5	\$ 186.6	\$ 204.6	\$ 1,716.0	\$ 1,374.1
Operating grants	37.1	16.8	-	-	37.1	16.8
Capital grants	253.9	192.5	-	-	253.9	192.5
General revenues:						
Property taxes	3,792.5	3,635.1	-	-	3,792.5	3,635.1
State grants	2,177.3	2,211.1	-	-	2,177.3	2,211.1
Franchise fees	139.3	132.6	-	-	139.3	132.6
Investment income	363.9	187.6	7.2	3.7	371.1	191.3
Other	15.1	48.4	-	-	15.1	48.4
Total revenues	<u>8,308.5</u>	<u>7,593.6</u>	<u>193.8</u>	<u>208.3</u>	<u>8,502.3</u>	<u>7,801.9</u>
Expenses:						
Legislative	34.7	40.1	-	-	34.7	40.1
General government	1,452.9	1,490.9	-	-	1,452.9	1,490.9
Public safety	5,262.9	5,261.0	185.4	237.5	5,448.3	5,498.5
Public works	1,013.3	963.6	-	-	1,013.3	963.6
Community and economic development	77.9	81.0	-	0.1	77.9	81.1
Culture and recreation	9.5	5.3	16.0	18.8	25.5	24.1
Interest on debt	2.2	-	-	-	2.2	-
Total expenses	<u>7,853.4</u>	<u>7,841.9</u>	<u>201.4</u>	<u>256.4</u>	<u>8,054.8</u>	<u>8,098.3</u>
Special item - loss on sale of assets	-	(153.7)	-	-	-	-
Increase (Decrease) in net assets	<u>\$ 455.1</u>	<u>\$ (402.0)</u>	<u>\$ (7.6)</u>	<u>\$ (48.1)</u>	<u>\$ 447.5</u>	<u>\$ (296.4)</u>

**Governmental activities**

Governmental activities increased the Township's net assets by \$455 thousand in 2006 compared with a \$402 thousand decrease in 2005. Revenue for charges for services increased by \$368 thousand, due primarily to a \$419 thousand increase in public safety assessments, and a \$90 thousand increase in administration fees, offset by various other decreases in public works assessments and other charges. The Township also received \$253 thousand in 2006 in capital grants for fire capital assets, voting equipment and park improvements. Total governmental expenses combined were about \$12 thousand higher in 2006, compared to 2005.



**Charter Township of Kalamazoo**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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The cost of all governmental activities this year was \$7.8 million. After subtracting the direct charges to those who directly benefited from the programs (\$1.5 million), and other operating and capital grants (\$291 thousand), the "public benefit" portion covered by taxes, state revenue sharing and other general revenues was \$6.0 million in 2006 compared to \$6.5 million in 2005.

***Business-type activities***

Charges for services in the business-type activities for 2006 were \$187 thousand, 9% less than in 2005. This was primarily the result of a decrease in building permits issued in the current year. Expenses decreased \$55 thousand, primarily as a result of an elimination of charges for occupancy costs related to the General Fund in 2006.

**FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

At December 31, 2006, the Township's governmental funds reported a combined fund balance of \$5.4 million, approximately \$615 thousand more than last year.

Revenues in the General Fund for 2006 exceeded expenditures by \$106 thousand, compared to a \$275 thousand excess of expenditures over revenues in 2005. The change was primarily due to the \$419 thousand increase in tax public safety assessments, and the approximately \$90 thousand increase in tax administration fees described above. There were no operating transfers into the General Fund for 2006 compared to \$899 thousand in 2005.

The fund balance in the Sewer Improvement Funds increased this year by \$149 thousand. The Sewer Improvement Fund expenditures in 2005 totaled \$132 thousand, primarily in construction costs. The fund balance in this fund at the end of 2006 was \$2.5 million.

The combined fund balances for all other governmental funds increased by \$359 thousand, and totaled approximately \$1.9 million at the end of 2006.

**General Fund budgetary highlights**

The Township Board amended the General Fund budget to reflect anticipated increases in police, public transportation, and capital outlay expenditures, with total budget amendments amounting to approximately \$95 thousand.

Revenues were \$37 thousand more than budgeted for 2006. Increased interest rates provided a positive variance of \$100 thousand, which was offset by franchise fees being \$72 thousand less than the amount budgeted. General Fund expenditures were \$659 thousand less than the amounts appropriated. \$464 thousand of this positive variance came from police and fire salary and operating cost reductions. The General Fund also did not receive operating transfers from other funds as budgeted. These combined factors resulted in a net \$206 thousand positive budget variance, and an actual \$106 thousand increase in fund balance compared to a budgeted \$590 thousand decrease. There were no significant negative variances in any General Fund expenditure functions.

**Charter Township of Kalamazoo**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Capital assets and debt administration**

*Capital assets*

At December 31, 2006, the Township had invested \$19.7 million, net of related debt, in various capital assets, including its land, buildings, equipment, and wastewater system. This amount represents a net decrease of \$141 thousand, comprised of \$631 thousand in additions, \$601 thousand in depreciation, and \$171 thousand of outstanding debt used to finance asset purchases.

This year's major capital asset additions included:

- \$195 thousand police radio equipment
- \$102 thousand for voting equipment, received through a capital grant
- \$150 thousand fire equipment, received through a capital grant

*Long-term debt.*

At the end of the fiscal year, the Township had a total installment purchase note outstanding in the amount of \$171,017 related to the acquisition of the police radio equipment.

**Economic condition and outlook**

About \$828 thousand is available for appropriation in the General Fund budget. This fund balance represents 12% of the \$7.2 million in General Fund expenditures budgeted for 2007. The Township has not added major new programs or initiatives to the 2007 budget. The 2007 costs for General Fund activities are expected to increase by nominal amounts. The Township continues to review all budget line items for opportunities to reduce expenditures. The current 2007 budgeted revenues and transfers are set at levels to equal planned expenditures. The budget will be monitored during the year to identify any necessary amendments.

In 2007, the Township plans to use available revenues to provide essential services. As in the prior year, the ongoing costs of providing the services necessary for the protection and well-being of the citizens of the Township will need to be monitored, in order to maintain the financial condition of the Township.

**Contacting the Township's financial management**

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors, and to demonstrate the Township's accountability for the money it receives. Questions regarding any information provided in this report or request for additional financial information should be addressed to:

Charter Township of Kalamazoo  
Supervisor's Office  
1720 Riverview Drive  
Kalamazoo, MI 49004

Phone: (269) 381-8080

## INDEPENDENT AUDITORS' REPORT

**Board of Trustees  
Charter Township of Kalamazoo, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Charter Township of Kalamazoo, Michigan, as of December 31, 2006, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Charter Township of Kalamazoo's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Kalamazoo, Michigan, as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information on pages i through vi and 26 through 31, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Kalamazoo, Michigan's, basic financial statements. The accompanying supplementary data, as listed in the contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Charter Township of Kalamazoo, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sigfried Crandall P.C.*

April 14, 2007

## **BASIC FINANCIAL STATEMENTS**

**Charter Township of Kalamazoo**  
**STATEMENT OF NET ASSETS**  
December 31, 2006

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 5,689,002	\$ 243,440	\$ 5,932,442
Investments	1,566,431	-	1,566,431
Prepaid costs	198,118	9,020	207,138
Receivables, net	<u>3,311,237</u>	<u>5,983</u>	<u>3,317,220</u>
Total current assets	<u>10,764,788</u>	<u>258,443</u>	<u>11,023,231</u>
Noncurrent assets:			
Capital assets not being depreciated	449,189	171,000	620,189
Capital assets, net of accumulated depreciation	19,129,651	78,618	19,208,269
Receivables, net	<u>223,000</u>	<u>8,214</u>	<u>231,214</u>
Total non-current assets	<u>19,801,840</u>	<u>257,832</u>	<u>20,059,672</u>
Total assets	<u>30,566,628</u>	<u>516,275</u>	<u>31,082,903</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	115,112	7,410	122,522
Accrued liabilities	50,211	-	50,211
Deferred revenue	5,040,254	-	5,040,254
Current portion of long-term obligations	<u>56,431</u>	<u>-</u>	<u>56,431</u>
Total current liabilities	<u>5,262,008</u>	<u>7,410</u>	<u>5,269,418</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	<u>365,586</u>	<u>-</u>	<u>365,586</u>
Total liabilities	<u>5,627,594</u>	<u>7,410</u>	<u>5,635,004</u>
<b>NET ASSETS</b>			
Invested in capital assets	19,407,823	249,618	19,657,441
Restricted for:			
Public safety	65,182	23,129	88,311
Public works	383,967	-	383,967
Community and economic development	-	142,092	142,092
Capital outlay	289,883	-	289,883
Unrestricted	<u>4,792,179</u>	<u>94,026</u>	<u>4,886,205</u>
Total net assets	<u>\$ 24,939,034</u>	<u>\$ 508,865</u>	<u>\$ 25,447,899</u>

See notes to financial statements

**Charter Township of Kalamazoo**

**STATEMENT OF ACTIVITIES**

Year ended December 31, 2006

		<b>Program Revenues</b>		
		<b>Charges for</b>	<b>Operating</b>	<b>Capital</b>
	<b><u>Expenses</u></b>	<b><u>services</u></b>	<b><u>grants and</u></b>	<b><u>grants and</u></b>
			<b><u>contributions</u></b>	<b><u>contributions</u></b>
<b>Functions/Programs</b>				
Governmental activities:				
Legislative	\$ 34,745	\$ -	\$ -	\$ -
General government	1,452,867	390,457	-	101,880
Public safety	5,262,891	535,885	27,201	133,002
Public works	1,013,295	597,821	9,857	-
Community and economic development	77,927	-	-	-
Parks and recreation	9,480	5,280	-	19,000
Interest on long-term debt	2,235	-	-	-
Total governmental activities	<u>7,853,440</u>	<u>1,529,443</u>	<u>37,058</u>	<u>253,882</u>
Business-type activities:				
Golf course	16,007	18,457	-	-
Building code inspection	<u>185,430</u>	<u>168,137</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>201,437</u>	<u>186,594</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,054,877</u>	<u>\$ 1,716,037</u>	<u>\$ 37,058</u>	<u>\$ 253,882</u>

General revenues:

Taxes  
State grants  
Franchise fees  
Investment income  
Other

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

---

**Net (expense) revenue and  
change in net assets**

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<b><u>Governmental activities</u></b>	<b><u>Business-type activities</u></b>	<b><u>Totals</u></b>
\$ (34,745)	\$ -	\$ (34,745)
(960,530)	-	(960,530)
(4,566,803)	-	(4,566,803)
(405,617)	-	(405,617)
(77,927)	-	(77,927)
14,800	-	14,800
(2,235)	-	(2,235)
<u>(6,033,057)</u>	<u>-</u>	<u>(6,033,057)</u>
-	2,450	2,450
<u>-</u>	<u>(17,293)</u>	<u>(17,293)</u>
-	(14,843)	(14,843)
<u>(6,033,057)</u>	<u>(14,843)</u>	<u>(6,047,900)</u>
3,792,480	-	3,792,480
2,177,276	-	2,177,276
139,347	-	139,347
363,918	7,195	371,113
15,141	-	15,141
<u>6,488,162</u>	<u>7,195</u>	<u>6,495,357</u>
455,105	(7,648)	447,457
<u>24,483,929</u>	<u>516,513</u>	<u>25,000,442</u>
<u>\$ 24,939,034</u>	<u>\$ 508,865</u>	<u>\$ 25,447,899</u>

See notes to financial statements



**Charter Township of Kalamazoo**  
**BALANCE SHEET - governmental funds**  
December 31, 2006

	<u>General</u>	<u>Sewer Improvement</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>ASSETS</b>				
Cash	\$ 2,299,428	\$ 2,015,716	\$ 1,373,858	\$ 5,689,002
Investments	-	529,197	1,037,234	1,566,431
Receivables	2,574,179	276,063	683,995	3,534,237
Prepaid expenses	63,118	-	135,000	198,118
Due from other funds	11,479	-	-	11,479
Total assets	<u>\$ 4,948,204</u>	<u>\$ 2,820,976</u>	<u>\$ 3,230,087</u>	<u>\$ 10,999,267</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 49,636	\$ 18,741	\$ 46,735	\$ 115,112
Accrued liabilities	50,211	-	-	50,211
Due to other funds	-	-	11,479	11,479
Deferred revenue	4,020,536	259,939	1,182,054	5,462,529
Total liabilities	<u>4,120,383</u>	<u>278,680</u>	<u>1,240,268</u>	<u>5,639,331</u>
Fund balances:				
Unreserved	827,821	2,542,296	-	3,370,117
Unreserved - reported in nonmajor special revenue funds	-	-	1,989,819	1,989,819
Total fund balances	<u>827,821</u>	<u>2,542,296</u>	<u>1,989,819</u>	<u>5,359,936</u>
Total liabilities and fund balances	<u>\$ 4,948,204</u>	<u>\$ 2,820,976</u>	<u>\$ 3,230,087</u>	<u>\$ 10,999,267</u>

**Total fund balances - governmental funds** **\$ 5,359,936**

Amounts reported for *governmental activities* in the statement of net assets (Page 5)  
are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 19,578,840

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 422,275

Long-term liabilities, including compensated absence liabilities, are not due and payable in the current period and, therefore, are not reported in the funds. (422,017)

**Net assets of governmental activities** **\$ 24,939,034**

See notes to financial statements

**Charter Township of Kalamazoo**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES - governmental funds**

Year ended December 31, 2006

	<u>General</u>	<u>Sewer Improvement</u>	<u>Other nonmajor governmental funds</u>	<u>Totals</u>
<b>REVENUES</b>				
Taxes	\$ 3,792,480	\$ -	\$ -	\$ 3,792,480
Federal grants	-	-	133,002	133,002
State grants	2,177,276	-	37,058	2,214,334
Fines and forfeitures	47,440	-	2,214	49,654
Licenses and permits	201,712	-	-	201,712
Charges for services	312,581	-	-	312,581
Interest and rentals	154,034	137,327	99,822	391,183
Other	133,809	143,722	887,945	1,165,476
Total revenues	<u>6,819,332</u>	<u>281,049</u>	<u>1,160,041</u>	<u>8,260,422</u>
<b>EXPENDITURES</b>				
Legislative	34,745	-	-	34,745
General government	1,440,084	-	-	1,440,084
Public safety	5,009,360	-	134,466	5,143,826
Public works	103,044	131,685	537,540	772,269
Community and economic development	77,927	-	-	77,927
Parks and recreation	2,595	-	-	2,595
Capital outlay	45,131	-	297,879	343,010
Debt service:				
Principal	-	-	24,431	24,431
Interest	-	-	2,235	2,235
Total expenditures	<u>6,712,886</u>	<u>131,685</u>	<u>996,551</u>	<u>7,841,122</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>106,446</u>	<u>149,364</u>	<u>163,490</u>	<u>419,300</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from the issuance of debt	-	-	195,448	195,448
<b>NET CHANGE IN FUND BALANCES</b>	106,446	149,364	358,938	614,748
<b>FUND BALANCES - BEGINNING</b>	<u>721,375</u>	<u>2,392,932</u>	<u>1,630,881</u>	<u>4,745,188</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 827,821</u>	<u>\$ 2,542,296</u>	<u>\$ 1,989,819</u>	<u>\$ 5,359,936</u>

See notes to financial statements

**Charter Township of Kalamazoo**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - governmental funds (Continued)**  
Year ended December 31, 2006

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Net change in fund balances - total governmental funds	\$ 614,748
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Amounts reported for *governmental activities* in the statement of activities (Page 6) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays, net of disposals (\$631,203) exceeded depreciation (\$585,134) in the current period.	46,069
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Because some revenues will not be collected for several months after the Township's year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount this year.	(32,695)
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Long-term debt:

Proceeds from the issuance of debt	(195,448)
Principal repayments	24,431

Some items reported in the statement of activities (earned compensated absences) do not require the use of current financial resources and are not reported as expenditures in governmental funds. The payment of compensated absences is reported as an expenditure in governmental funds, but the payment reduces the long-term liability in the statement of net assets. In the current year, there was a net increase in the compensated absence liability.	<u>(2,000)</u>
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Change in net assets of <i>governmental activities</i>	<u>\$ 455,105</u>
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**Charter Township of Kalamazoo**  
**STATEMENT OF NET ASSETS - proprietary funds**  
December 31, 2006

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	<b><i>Total enterprise funds</i></b>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 243,440
Prepaid costs	9,020
Receivables, net	4,483
Notes receivable - current portion	<u>1,500</u>
Total current assets	258,443
Capital assets, net of accumulated depreciation	249,618
Other assets - notes receivable, net of current portion	<u>8,214</u>
TOTAL ASSETS	<u>516,275</u>
<b>LIABILITIES</b>	
Accounts payable	<u>7,410</u>
<b>NET ASSETS</b>	
Invested in capital assets	249,618
Restricted for:	
Public safety	23,129
Community and economic development	142,092
Unrestricted	<u>94,026</u>
TOTAL NET ASSETS	<u>\$ 508,865</u>

See notes to financial statements

**Charter Township of Kalamazoo**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS -  
proprietary funds**

*Year ended December 31, 2006*

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	<b><i>Total enterprise funds</i></b>
	<hr/>
<b>OPERATING REVENUES</b>	
Licenses and permits	\$ 168,137
Rentals	<u>18,457</u>
Total operating revenues	<u>186,594</u>
<b>OPERATING EXPENSES</b>	
Personnel services	140,777
Contracted services	34,317
Other operating and maintenance costs	10,578
Depreciation	<u>15,765</u>
Total operating expenses	<u>201,437</u>
<b>OPERATING LOSS</b>	(14,843)
<b>NON-OPERATING REVENUES</b>	
Interest	<u>7,195</u>
<b>CHANGE IN NET ASSETS</b>	(7,648)
<b>TOTAL NET ASSETS - BEGINNING</b>	<u>516,513</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u><u>\$ 508,865</u></u>

*See notes to financial statements*

**Charter Township of Kalamazoo**  
**STATEMENT OF CASH FLOWS - proprietary funds**  
Year ended December 31, 2006

	<b><i>Total enterprise funds</i></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 188,533
Payments to suppliers	(44,555)
Payments to employees	<u>(140,777)</u>
Net cash used in operating activities	<u>3,201</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	<u>7,195</u>
<b>NET DECREASE IN CASH</b>	10,396
<b>CASH - BEGINNING</b>	<u>233,044</u>
<b>CASH - ENDING</b>	<u><u>\$ 243,440</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (14,843)
Adjustments to reconcile operating loss to net cash	
net cash used in operating activities:	
Depreciation expense	15,765
Changes in assets and liabilities:	
Increase in receivables, net	1,939
Increase in payables, net	<u>340</u>
Net cash used in operating activities	<u><u>\$ 3,201</u></u>

See notes to financial statements

**Charter Township of Kalamazoo**  
**STATEMENT OF FIDUCIARY NET ASSETS - *agency funds***  
*December 31, 2006*

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**ASSETS**

Cash	<u>\$ 3,795,588</u>
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**LIABILITIES**

Accounts payable	\$ 2,899
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Due to other governmental units	<u>3,792,689</u>
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TOTAL LIABILITIES	<u>\$ 3,795,588</u>
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*See notes to financial statements*

**Charter Township of Kalamazoo**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Charter Township of Kalamazoo, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

*a) Reporting entity:*

The Township is governed by an elected seven-member board. The accompanying financial statements present the government entity for which the government is considered to be financially accountable.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of all interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.



**Charter Township of Kalamazoo**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Sewer Improvement Fund accounts for the construction or purchase of major sewer improvements.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits and investments* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is proportionately allocated to all funds.

**Charter Township of Kalamazoo**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**d) Assets, liabilities, and net assets or equity (continued):**

*ii) Receivables and payables* - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are considered to be fully collectible.

*iii) Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

*iv) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets other than infrastructure are defined by the government as assets with an initial individual cost of greater than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40 - 60 years
Building improvements	15 - 30 years
Land improvements	15 years
Sewer lines	50 - 75 years
Vehicles	5 - 10 years
Equipment	5 - 15 years
Office equipment	3 - 10 years

*v) Compensated absences* (vacation and sick leave) - It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the Township. Vested compensated absences are accrued when earned in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

*vi) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Charter Township of Kalamazoo**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the functional level. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

*Excess of expenditures over appropriations in budgeted funds* - During the year, the Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
Sewer improvement	Public works	\$ 120,000	\$ 131,685	\$ (11,685)

**NOTE 3 - CASH AND INVESTMENTS:**

A reconciliation of cash and investments to the Township's deposits and investments, as shown in the government-wide statement of net assets and the fiduciary fund statement of net assets, is as follows:

	<u>Govern- mental activities</u>	<u>Business- type activities</u>	<u>Fiduciary fund</u>	<u>Totals</u>
Financial statements:				
Cash and cash equivalents	\$ 5,689,002	\$ 243,440	\$ 3,795,588	\$ 9,728,030
Investments	<u>1,566,431</u>	<u>-</u>	<u>-</u>	<u>1,566,431</u>
Total	<u>\$ 7,255,433</u>	<u>\$ 243,440</u>	<u>\$ 3,795,588</u>	<u>\$ 11,294,461</u>
Notes to financial statements:				
Deposits				\$ 9,728,030
Investments				<u>1,566,431</u>
Total				<u>\$ 11,294,461</u>

*Deposits with financial institutions:*

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

**Charter Township of Kalamazoo**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 3 - CASH AND INVESTMENTS (Continued):**

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of December 31, 2006, \$923,543 of the Township's bank balances of \$10,389,318 was exposed to custodial credit risk because it was uninsured. The Township maintains individual and pooled cash accounts for all of its funds.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

*Investments:*

State statutes and the Township's investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) mutual funds composed of otherwise legal investments.

The Township's investments are subject to several types of risk, which are discussed below:

*Custodial credit risk.* Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Township will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. State statutes and the Township's investment policy do not contain requirements that would limit the exposure to custodial credit risk for investments. At year end, the following investment securities were uninsured and unregistered and held by the same broker-dealer (counterparty) that purchased the securities for the Township:

<u>Investment type</u>	<u>Carrying amount</u>
Commercial paper	\$ 1,265,321
Mutual funds	<u>301,110</u>
	<u>\$ 1,566,431</u>

**Charter Township of Kalamazoo**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 3 - CASH AND INVESTMENTS (Continued):**

*Concentration of credit risk.* State statutes and the Township's investment policy place no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities) that represent 5% or more of the Township's total investment are as follows:

<i>Issuer</i>	<i>Fair value</i>	<i>Percentage</i>	<i>Credit rating</i>
Commercial paper :			
GE Capital Corporation zero coupon commercial paper due February 22, 2007	\$ 314,000	20%	S&P A-1
GE Capital Corporation zero coupon commercial paper due February 23, 2007	297,725	19%	S&P A-1
GE Capital Corporation zero coupon commercial paper due March 22, 2007	345,986	22%	S&P A-1
Daimler Chrysler NA Corporation zero coupon commercial paper due January 17, 2007	<u>307,610</u>	20%	S&P A-2
Total commercial paper	<u>1,265,321</u>		
Mutual fund:			
Class MBIA	<u>301,110</u>	19%	
Total investments	<u>\$ 1,566,431</u>		

**NOTE 4 - RECEIVABLES:**

Receivables as of year end for the Township's individual major and aggregate nonmajor funds are as follows:

	<i>General</i>	<i>Sewer Improve- ment</i>	<i>Non- major</i>	<i>Totals</i>
Taxes receivable	\$ 2,113,415	\$ -	\$ -	\$ 2,113,415
Accounts	36,252	10,482	11,479	58,213
Special assessments	-	265,581	653,159	918,740
Intergovernmental	<u>424,512</u>	<u>-</u>	<u>19,357</u>	<u>443,869</u>
Net receivables	<u>\$ 2,574,179</u>	<u>\$ 276,063</u>	<u>\$ 683,995</u>	<u>\$ 3,534,237</u>

Special assessments in the amount of \$223,000 are not expected to be collected within one year.

**Charter Township of Kalamazoo**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - DEFERRED REVENUE:**

Governmental funds report deferred revenues in connection with assets that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenues are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes (General Fund)	\$ -	\$ 4,020,536
Special assessments (Sewer Improvement Fund)	259,939	-
Special assessments (nonmajor funds)	<u>162,336</u>	<u>1,019,718</u>
Total	<u>\$ 422,275</u>	<u>\$ 5,040,254</u>

**NOTE 6 - PROPERTY TAXES:**

The Township property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31.

Although the Township 2006 ad valorem tax is levied and collectible on December 1, 2006, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

The 2006 tax levy of the Township consisted of the following:

<u>Fund</u>	<u>2006 Taxable Valuation</u>	<u>Millage rate</u>	<u>Purpose</u>	<u>Taxes raised</u>
General	\$ 446,011,797	8.9691	Operating	\$ 3,792,480

Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

**Charter Township of Kalamazoo**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 7 - CAPITAL ASSETS:**

Capital asset activity of the Township for the year ended December 31, 2006, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 449,189	\$ -	\$ -	\$ 449,189
Capital assets being depreciated:				
Buildings	2,237,122	-	-	2,237,122
Improvements other than buildings	82,080	-	-	82,080
Machinery and equipment	3,040,546	613,503	(455,350)	3,198,699
Infrastructure	22,172,226	17,700	-	22,189,926
Subtotal	27,531,974	631,203	(455,350)	27,707,827
Less accumulated depreciation for:				
Buildings	(1,053,285)	(47,891)	-	(1,101,176)
Improvements other than buildings	(13,771)	(5,414)	-	(19,185)
Machinery and equipment	(2,212,021)	(260,180)	455,350	(2,016,851)
Infrastructure	(5,169,315)	(271,649)	-	(5,440,964)
Subtotal	(8,448,392)	(585,134)	455,350	(8,578,176)
Total capital assets being depreciated, net	19,083,582	46,069	-	19,129,651
Total capital assets, net	\$ 19,532,771	\$ 46,069	\$ -	\$ 19,578,840
Business-type activities:				
Capital assets not being depreciated - land	\$ 171,000	\$ -	\$ -	\$ 171,000
Capital assets being depreciated:				
Buildings	94,759	-	-	94,759
Improvements other than buildings	121,000	-	-	121,000
Machinery and equipment	35,943	-	-	35,943
Subtotal	251,702	-	-	251,702

**Charter Township of Kalamazoo**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 7 - CAPITAL ASSETS (Continued):**

	<i><u>Beginning balance</u></i>	<i><u>Increases</u></i>	<i><u>Decreases</u></i>	<i><u>Ending balance</u></i>
Business-type activities (continued):				
Less accumulated depreciation for:				
Buildings	\$ (91,834)	\$ (2,924)	\$ -	\$ (94,758)
Improvements other than buildings	(67,909)	(6,668)	-	(74,577)
Machinery and equipment	(51,653)	(6,173)	-	(57,826)
Subtotal	(211,396)	(15,765)	-	(227,161)
Total capital assets being depreciated, net	40,306	(15,765)	-	78,618
Total capital assets, net	<u>\$ 211,306</u>	<u>\$ (15,765)</u>	<u>\$ -</u>	<u>\$ 249,618</u>

Depreciation expense was charged to programs of the Township as follows:

Governmental activities:	
General government	\$ 66,436
Public safety	237,346
Public works	274,467
Recreation and culture	<u>6,885</u>
Total governmental activities	<u>\$ 585,134</u>
Business-type activities:	
Golf course	<u>\$ 15,765</u>



**Charter Township of Kalamazoo**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 8 - PAYABLES:**

Accounts payable and accrued liabilities in the governmental activities are as follows:

	<u>Accounts</u>	<u>Wages and fringe benefits</u>	<u>Inter- govern- mental</u>	<u>Total</u>
Governmental activities:				
General Fund	\$ 49,636	\$ 50,211	\$ -	\$ 99,847
Sewer Improvement Fund	18,741	-	-	18,741
Nonmajor governmental funds	<u>46,735</u>	<u>-</u>	<u>-</u>	<u>46,735</u>
Total governmental activities	<u>\$ 115,112</u>	<u>\$ 50,211</u>	<u>\$ -</u>	<u>\$ 165,323</u>
Business-type activities:				
Building Inspections Fund	<u>\$ 5,710</u>	<u>\$ -</u>	<u>\$ 1,700</u>	<u>\$ 7,410</u>

**NOTE 9 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss to general liability, property and casualty, workers' compensation, and employee health and medical claims. The risks of loss arising from general liability up to \$5,000,000, building contents, workers' compensation, employee medical, and casualty are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

**NOTE 10 - RETIREMENT PLAN:**

The Township contributes to three defined contribution pension plans for its employees. The two plans for non-union employees are administered by an insurance company. The plan for union employees is administered by an investment company. The plan for firefighters requires matching employee contributions. The other plans are non-contributory. All plans are funded on a group annuity basis.

Contributions for union employees are fully vested upon participation in the plan. The Township's contributions for participating non-union employees (and allocated interest) are fully vested after 48 months of service. Contributions and interest forfeited by non-vested employees who leave employment are used to reduce the Township's current period contribution requirement.

The Township made the required contributions of \$537,025 for the year ended December 31, 2006. The Township is not a trustee of these plans, nor is the Township responsible for investment management of plan assets.

**Charter Township of Kalamazoo**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS:**

In addition to the pension benefits described in Note 10, the Township provides post-retirement healthcare benefits for employees and their dependents, if the employees meet specific service and age criteria:

- i) Police department employees who retire from the department on or after attaining age 51 with at least 25 years of service, or who retire from the department on or after attaining age 57 with at least 15 years of service.
- ii) Elected officials who have served for eight years.
- iii) All other Township employees who have ten years of continuous full-time service and who have reached the age of 55, or permanent disability.

Currently, 18 employees meet those eligibility requirements. In 2006, the Township paid health insurance premiums totaling \$60,526 for seven retired employees.

**NOTE 12 - LONG-TERM LIABILITIES:**

Long-term obligation activity for the year ended December 31, 2006, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Primary government:					
Governmental activities:					
\$195,488 2006 Installment purchase agreement note payable in annual installments of \$26,666, including interest at 3.34%; final payment due January 2013	\$ -	\$ 195,448	\$ (24,431)	\$ 171,017	\$ 24,431
Compensated absences	249,000	318,000	(316,000)	251,000	32,000
Total governmental activities	<u>\$ 249,000</u>	<u>\$ 513,448</u>	<u>\$ (340,431)</u>	<u>\$ 422,017</u>	<u>\$ 56,431</u>

**Charter Township of Kalamazoo**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 12 - LONG-TERM LIABILITIES (Continued):**

At December 31, 2006, debt service requirements, excluding compensated absences, were as follows:

<u>Year ended</u> <u>December 31,</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 24,431	\$ 2,235
2008	24,431	2,235
2009	24,431	2,235
2010	24,431	2,235
2011	24,431	2,235
2012 - 2013	<u>48,862</u>	<u>4,473</u>
Totals	<u>\$ 171,017</u>	<u>\$ 15,648</u>

All debt is secured by the full faith and credit of the Township.

**NOTE 13 - COMMITMENTS AND CONTINGENCIES:**

*Contingent liabilities:*

The Township is contingently liable to its employees for approximately \$208,000 in accumulated non-vested sick pay benefits.

*Litigation:*

The Township is the defendant in various lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a materially adverse effect on the accompanying basic financial statements and accordingly, no provision for losses has been recorded.

**NOTE 14 - SUBSEQUENT EVENTS:**

Subsequent to year-end, the Township entered into a capital lease agreement to purchase fire apparatus for \$456,107, including interest. The purchase will be financed by special assessment tax revenue generated in the Fire Capital Fund. During fiscal year 2006, the Township placed a deposit in the amount of \$135,000 down on the equipment. The deposit is shown as a prepaid expense on both the government-wide and fund financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Charter Township of Kalamazoo**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 3,797,045	\$ 3,797,045	\$ 3,792,480	\$ (4,565)
State grants	2,200,000	2,200,000	2,177,276	(22,724)
Fines and forfeitures:				
District court fees	50,000	50,000	39,983	(10,017)
Violation bureau fees	2,500	2,500	1,665	(835)
False alarm fees	2,000	2,000	5,792	3,792
Total fines and forfeitures	54,500	54,500	47,440	(7,060)
Licenses and permits:				
Liquor license refunds	7,000	7,000	7,840	840
Trailer fees	4,000	4,000	3,625	(375)
Cable TV franchise fees	211,000	211,000	139,347	(71,653)
Other licenses	36,000	36,000	50,900	14,900
Total licenses and permits	258,000	258,000	201,712	(56,288)
Charges for services:				
Administrative fees	278,076	278,076	291,130	13,054
Cemetery charges and fees	9,000	9,000	12,940	3,940
Other charges	8,000	8,000	8,511	511
Total charges for services	295,076	295,076	312,581	17,505
Interest and rentals:				
Interest earned	28,749	28,749	128,942	100,193
Lease payments	14,400	14,400	19,684	5,284
Civic room rent	4,000	4,000	5,408	1,408
Total interest and rentals	47,149	47,149	154,034	106,885
Other:				
Sale of fixed assets	-	-	5,543	5,543
Miscellaneous	130,200	130,200	128,266	(1,934)
Total other	130,200	130,200	133,809	3,609
Total revenues	6,781,970	6,781,970	6,819,332	37,362

**Charter Township of Kalamazoo**  
**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**  
Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES</b>				
Legislative:				
Trustees' fees	\$ 19,000	\$ 19,000	\$ 21,714	\$ (2,714)
Payroll taxes	1,300	1,300	1,159	141
Employee benefits	3,780	3,780	4,581	(801)
Travel and other expenses	<u>10,000</u>	<u>10,000</u>	<u>7,291</u>	<u>2,709</u>
Total legislative	<u>34,080</u>	<u>34,080</u>	<u>34,745</u>	<u>(665)</u>
General government:				
Supervisor:				
Salary	74,879	74,879	73,020	1,859
Payroll taxes	5,728	5,728	5,586	142
Employee benefits	<u>15,073</u>	<u>15,073</u>	<u>10,422</u>	<u>4,651</u>
Total supervisor	<u>95,680</u>	<u>95,680</u>	<u>89,028</u>	<u>6,652</u>
Elections:				
Election worker fees	69,725	69,725	70,343	(618)
Payroll taxes	2,804	2,804	3,351	(547)
Employee benefits	5,083	5,083	5,654	(571)
Supplies	3,509	3,509	8,870	(5,361)
Training and travel	<u>616</u>	<u>616</u>	<u>1,679</u>	<u>(1,063)</u>
Total elections	<u>81,737</u>	<u>81,737</u>	<u>89,897</u>	<u>(8,160)</u>
Assessor:				
Salaries and wages	142,457	142,457	141,660	797
Board fees	2,524	2,524	1,106	1,418
Payroll taxes	10,767	10,767	10,382	385
Employee benefits	17,094	17,094	16,999	95
Office supplies	252	252	249	3
Dues and subscriptions	821	821	1,240	(419)
Operating supplies	1,571	1,571	198	1,373
Travel and conferences	523	523	301	222
Notices	441	441	233	208
Legal services	18,000	18,000	18,555	(555)
Repairs and maintenance	3,206	3,206	4,148	(942)
Training	<u>308</u>	<u>308</u>	<u>179</u>	<u>129</u>
Total assessor	<u>197,964</u>	<u>197,964</u>	<u>195,250</u>	<u>2,714</u>

**Charter Township of Kalamazoo**

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
General government (continued):				
Clerk:				
Salary	\$ 74,879	\$ 74,879	\$ 73,020	\$ 1,859
Payroll taxes	5,653	5,653	5,333	320
Employee benefits	<u>21,342</u>	<u>21,342</u>	<u>22,162</u>	<u>(820)</u>
Total clerk	<u>101,874</u>	<u>101,874</u>	<u>100,515</u>	<u>1,359</u>
General services administration:				
Salaries and wages	109,320	109,320	117,310	(7,990)
Payroll taxes	24,332	24,332	8,679	15,653
Employee benefits	137,702	137,702	137,151	551
Accounting and auditing	36,767	36,767	23,494	13,273
Legal services	72,928	72,928	51,087	21,841
Engineering services	20,000	20,000	25,496	(5,496)
Insurance	165,299	165,299	96,660	68,639
Supplies	14,806	14,806	16,548	(1,742)
Postage	24,152	24,152	20,259	3,893
Purchased services	24,630	24,630	34,356	(9,726)
Telephone	15,603	15,603	12,970	2,633
Dues and subscriptions	11,707	11,707	7,463	4,244
Notices and publications	8,451	8,451	12,535	(4,084)
Travel and conferences	1,222	1,222	2,180	(958)
Schools and training	688	688	-	688
Utilities	45,730	45,730	39,938	5,792
Unclassified	<u>1,300</u>	<u>1,300</u>	<u>629</u>	<u>671</u>
Total general services administration	<u>714,637</u>	<u>714,637</u>	<u>606,755</u>	<u>107,882</u>
Treasurer:				
Salary	74,879	74,879	73,020	1,859
Payroll taxes	5,728	5,728	5,541	187
Employee benefits	<u>16,607</u>	<u>16,607</u>	<u>15,746</u>	<u>861</u>
Total treasurer	<u>97,214</u>	<u>97,214</u>	<u>94,307</u>	<u>2,907</u>

**Charter Township of Kalamazoo**

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
General government (continued):				
Data processing:				
Salaries and wages	\$ 37,268	\$ 37,268	\$ 36,805	\$ 463
Payroll taxes	2,650	2,650	2,115	535
Employee benefits	4,991	4,991	4,417	574
Supplies and services	<u>7,740</u>	<u>7,740</u>	<u>-</u>	<u>7,740</u>
Total data processing	<u>52,649</u>	<u>52,649</u>	<u>43,337</u>	<u>9,312</u>
Building and grounds:				
Salaries and wages	113,458	113,458	106,291	7,167
Payroll taxes	11,216	11,216	7,517	3,699
Employee benefits	49,807	49,807	48,488	1,319
Operating supplies	6,524	6,524	8,202	(1,678)
Gas and oil	2,618	2,618	2,777	(159)
Purchased services	10,238	10,238	3,917	6,321
Repairs and maintenance	<u>30,820</u>	<u>30,820</u>	<u>24,881</u>	<u>5,939</u>
Total building and grounds	<u>224,681</u>	<u>224,681</u>	<u>202,073</u>	<u>22,608</u>
Cemetery:				
Salaries and wages	-	-	7,346	(7,346)
Payroll taxes	-	-	522	(522)
Employee benefits	-	-	882	(882)
Operating supplies	2,243	2,243	2,051	192
Purchased services	2,000	2,000	1,332	668
Utilities	800	800	873	(73)
Repairs and maintenance	<u>4,500</u>	<u>4,500</u>	<u>5,916</u>	<u>(1,416)</u>
Total cemetery	<u>9,543</u>	<u>9,543</u>	<u>18,922</u>	<u>(9,379)</u>
Total general government	<u>1,575,979</u>	<u>1,575,979</u>	<u>1,440,084</u>	<u>135,895</u>



**Charter Township of Kalamazoo**

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Public safety:				
Police protection:				
Salaries and wages	\$ 2,509,528	\$ 2,509,528	\$ 2,234,456	\$ 275,072
Payroll taxes	195,233	195,233	189,484	5,749
Employee insurance	499,894	499,894	494,801	5,093
Pension	368,398	368,398	372,569	(4,171)
Office supplies	12,707	12,707	5,870	6,837
Publications	1,155	1,155	559	596
Operating supplies	10,397	10,397	3,958	6,439
Lein billing	1,560	1,560	1,720	(160)
Equipment allowance	31,059	31,059	25,343	5,716
Gas and oil	27,727	27,727	46,485	(18,758)
Purchased services	31,946	76,650	76,988	(338)
Crime prevention	523	523	52	471
Investigative operations	12,975	12,975	1,274	11,701
Telephone	24,102	24,102	17,107	6,995
Travel and conferences	2,053	2,053	843	1,210
General insurance	85,000	85,000	94,263	(9,263)
Vision and physicals	4,621	4,621	2,714	1,907
Workers' compensation	100,000	130,000	132,990	(2,990)
Notices	524	524	-	524
Repairs and maintenance	43,626	43,626	38,922	4,704
Training	10,470	10,470	9,523	947
Unclassified	-	-	32	(32)
Legal services	104,703	104,703	70,432	34,271
Total police protection	<u>4,078,201</u>	<u>4,152,905</u>	<u>3,820,385</u>	<u>332,520</u>
Fire protection:				
Salaries and wages:				
Regular	603,195	603,195	554,427	48,768
Paid on-call	174,412	174,412	163,700	10,712
Payroll taxes	24,405	24,405	35,327	(10,922)
Employee insurance	94,815	94,815	93,653	1,162
Pension	42,533	42,533	72,999	(30,466)
Office supplies	2,831	2,831	1,792	1,039
Publications	2,683	2,683	2,560	123
Operating supplies	10,243	10,243	10,640	(397)
Equipment allowance	34,860	34,860	12,065	22,795
Gas and oil	18,000	18,000	15,462	2,538

**Charter Township of Kalamazoo**

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Public safety (continued):				
Fire protection (continued):				
Purchased services	\$ 25,097	\$ 25,097	\$ 29,164	\$ (4,067)
Telephone	14,482	14,482	4,685	9,797
Travel and conferences	8,520	8,520	3,359	5,161
Vision and physicals	7,984	7,984	11,267	(3,283)
General insurance	46,683	46,683	67,331	(20,648)
Workers' compensation	23,559	23,559	11,475	12,084
Utilities	76,647	76,647	46,378	30,269
Repairs and maintenance	101,591	101,591	47,196	54,395
Schools and training	6,659	6,659	6,934	(275)
Total fire protection	<u>1,319,199</u>	<u>1,319,199</u>	<u>1,190,414</u>	<u>128,785</u>
Emergency preparedness:				
Disaster relief	2,000	2,000	-	2,000
911 emergency service	-	-	(1,439)	1,439
Total emergency preparedness	<u>2,000</u>	<u>2,000</u>	<u>(1,439)</u>	<u>3,439</u>
Total public safety	<u>5,399,400</u>	<u>5,474,104</u>	<u>5,009,360</u>	<u>464,744</u>
Public works:				
Public transportation	95,191	105,000	100,041	4,959
Street maintenance	51,325	51,325	3,003	48,322
Total public works	<u>146,516</u>	<u>156,325</u>	<u>103,044</u>	<u>53,281</u>
Community and economic development - planning and zoning:				
Board fees	9,000	9,000	12,000	(3,000)
Payroll taxes	512	512	915	(403)
Employee benefits	-	-	198	(198)
Office supplies	144	144	46	98
Engineering services	3,079	3,079	2,089	990
Planning consultant	20,000	30,000	32,287	(2,287)
Legal services	30,000	30,000	26,850	3,150

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Community and economic development - planning and zoning (continued):				
Travel and conferences	\$ 524	\$ 524	\$ 270	\$ 254
Notices and publications	<u>4,141</u>	<u>4,141</u>	<u>3,272</u>	<u>869</u>
Total community and economic development - planning and zoning	<u>67,400</u>	<u>77,400</u>	<u>77,927</u>	<u>(527)</u>
Parks and recreation:				
Operating supplies	1,294	1,294	412	882
Utilities	1,764	1,764	1,771	(7)
Repairs and maintenance	5,235	5,235	412	4,823
Other	<u>595</u>	<u>595</u>	<u>-</u>	<u>595</u>
Total parks and recreation	<u>8,888</u>	<u>8,888</u>	<u>2,595</u>	<u>6,293</u>
Capital outlay:				
General government	25,235	35,235	23,408	11,827
Police	<u>10,000</u>	<u>10,000</u>	<u>21,723</u>	<u>(11,723)</u>
Total capital outlay	<u>35,235</u>	<u>45,235</u>	<u>45,131</u>	<u>104</u>
Total expenditures	<u>7,267,498</u>	<u>7,372,011</u>	<u>6,712,886</u>	<u>659,125</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(485,528)	(590,041)	106,446	696,487
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>490,000</u>	<u>490,000</u>	<u>-</u>	<u>(490,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	4,472	(100,041)	106,446	206,487
<b>FUND BALANCES - BEGINNING</b>	<u>721,375</u>	<u>721,375</u>	<u>721,375</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 725,847</u>	<u>\$ 621,334</u>	<u>\$ 827,821</u>	<u>\$ 206,487</u>

**Charter Township of Kalamazoo**  
**BUDGETARY COMPARISON SCHEDULE - Sewer Improvement Fund**  
Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Interest	\$ 40,000	\$ 40,000	\$ 137,327	\$ 97,327
Special assessments	60,000	60,000	143,722	83,722
<b>Total revenues</b>	<u>100,000</u>	<u>100,000</u>	<u>281,049</u>	<u>181,049</u>
<b>EXPENDITURES</b>				
Public works:				
Engineering	20,000	20,000	16,861	3,139
Legal and administrative costs	2,000	32,000	30,000	2,000
Maintenance	1,000	1,000	2,089	(1,089)
Unclassified	2,000	2,000	190	1,810
Construction	15,000	65,000	82,545	(17,545)
<b>Total public works</b>	<u>40,000</u>	<u>120,000</u>	<u>131,685</u>	<u>(11,685)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	60,000	(20,000)	149,364	169,364
<b>FUND BALANCES - BEGINNING</b>	<u>2,392,932</u>	<u>2,392,932</u>	<u>2,392,932</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 2,452,932</u>	<u>\$ 2,372,932</u>	<u>\$ 2,542,296</u>	<u>\$ 169,364</u>

## **SUPPLEMENTARY INFORMATION**

**Charter Township of Kalamazoo**  
**COMBINING BALANCE SHEET - nonmajor governmental funds**  
 December 31, 2006

	<b>Special revenue funds</b>				
	<b><u>Police Training</u></b>	<b><u>Drug Enforcement</u></b>	<b><u>Southwest Enforcement Team</u></b>	<b><u>Public Safety Grants</u></b>	<b><u>Revolving Improvement</u></b>
<b>ASSETS</b>					
Cash	\$ 10,020	\$ 28,524	\$ -	\$ 11,711	\$ -
Investments	-	-	-	-	1,037,234
Prepaid expenses	-	\$ -	-	-	-
Receivables	<u>19,357</u>	<u>-</u>	<u>11,479</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 29,377</u></b>	<b><u>\$ 28,524</u></b>	<b><u>\$ 11,479</u></b>	<b><u>\$ 11,711</u></b>	<b><u>\$ 1,037,234</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 4,430	\$ -
Due to other funds	-	-	11,479	-	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	-	-	11,479	4,430	-
Fund balances:					
Unreserved, undesignated	<u>29,377</u>	<u>28,524</u>	<u>-</u>	<u>7,281</u>	<u>1,037,234</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 29,377</u></b>	<b><u>\$ 28,524</u></b>	<b><u>\$ 11,479</u></b>	<b><u>\$ 11,711</u></b>	<b><u>\$ 1,037,234</u></b>

<i>Special revenue funds</i>							<i>Total nonmajor governmental funds</i>
<i>Street Lighting</i>	<i>Recycling</i>	<i>Street</i>	<i>Water</i>	<i>Parks</i>	<i>Police Capital</i>	<i>Fire Capital</i>	
\$ 325,517	\$ 323,926	\$ 3,229	\$ 187,585	\$ 14,093	\$ 217,734	\$ 251,519	\$ 1,373,858
-	-	-	-	-	-	-	1,037,234
-	-	-	-	-	-	135,000	135,000
93,300	92,356	140,266	30,716	-	98,835	197,686	683,995
<u>\$ 418,817</u>	<u>\$ 416,282</u>	<u>\$ 143,495</u>	<u>\$ 218,301</u>	<u>\$ 14,093</u>	<u>\$ 316,569</u>	<u>\$ 584,205</u>	<u>\$ 3,230,087</u>
\$ 16,365	\$ 24,648	\$ -	\$ -	\$ -	\$ 236	\$ 1,056	\$ 46,735
-	-	-	-	-	-	-	11,479
177,733	232,386	133,443	28,893	-	203,188	406,411	1,182,054
194,098	257,034	133,443	28,893	-	203,424	407,467	1,240,268
224,719	159,248	10,052	189,408	14,093	113,145	176,738	1,989,819
<u>\$ 418,817</u>	<u>\$ 416,282</u>	<u>\$ 143,495</u>	<u>\$ 218,301</u>	<u>\$ 14,093</u>	<u>\$ 316,569</u>	<u>\$ 584,205</u>	<u>\$ 3,230,087</u>

Charter Township of Kalamazoo  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCES - nonmajor governmental funds**  
Year ended December 31, 2006

	<i>Special revenue funds</i>				
	<i>Police Training</i>	<i>Drug Enforcement</i>	<i>Southwest Enforcement Team</i>	<i>Public Safety Grants</i>	<i>Revolving Improvement</i>
<b>REVENUES</b>					
Federal grants	\$ -	\$ -	\$ -	\$ 133,002	\$ -
State grants	27,201	-	-	-	-
Fines and forfeitures	-	2,214	-	-	-
Interest	-	-	-	-	49,088
Other	-	-	-	-	-
Total revenues	27,201	2,214	-	133,002	49,088
<b>EXPENDITURES</b>					
Public safety	5,606	3,139	-	125,721	-
Public works					
Capital outlay					
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	5,606	3,139	-	125,721	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	21,595	(925)	-	7,281	49,088
<b>OTHER FINANCING SOURCES</b>					
Proceeds from the issuance of debt	-	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	21,595	(925)	-	7,281	49,088
<b>FUND BALANCES - BEGINNING</b>	7,782	29,449	-	-	988,146
<b>FUND BALANCES - ENDING</b>	\$ 29,377	\$ 28,524	\$ -	\$ 7,281	\$ 1,037,234



<i>Special revenue funds</i>							<i>Total nonmajor governmental funds</i>
<i>Street Lighting</i>	<i>Recycling</i>	<i>Street</i>	<i>Water</i>	<i>Parks</i>	<i>Police Capital</i>	<i>Fire Capital</i>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 133,002
-	-	9,857	-	-	-	-	37,058
-	-	-	-	-	-	-	2,214
15,596	13,799	9,592	11,747	-	-	-	99,822
<u>167,542</u>	<u>230,340</u>	<u>39,492</u>	<u>26,311</u>	<u>5,280</u>	<u>167,585</u>	<u>251,395</u>	<u>887,945</u>
<u>183,138</u>	<u>244,139</u>	<u>58,941</u>	<u>38,058</u>	<u>5,280</u>	<u>167,585</u>	<u>251,395</u>	<u>1,160,041</u>
-	-	-	-	-	-	-	134,466
216,077	272,574	48,889	-	-	-	-	537,540
-	-	-	-	-	223,222	74,657	297,879
-	-	-	-	-	24,431	-	24,431
-	-	-	-	-	<u>2,235</u>	<u>-</u>	<u>2,235</u>
<u>216,077</u>	<u>272,574</u>	<u>48,889</u>	<u>-</u>	<u>-</u>	<u>249,888</u>	<u>74,657</u>	<u>996,551</u>
(32,939)	(28,435)	10,052	38,058	5,280	(82,303)	176,738	163,490
-	-	-	-	-	195,448	-	195,448
(32,939)	(28,435)	10,052	38,058	5,280	113,145	176,738	358,938
<u>257,658</u>	<u>187,683</u>	<u>-</u>	<u>151,350</u>	<u>8,813</u>	<u>-</u>	<u>-</u>	<u>1,630,881</u>
<u>\$ 224,719</u>	<u>\$ 159,248</u>	<u>\$ 10,052</u>	<u>\$ 189,408</u>	<u>\$ 14,093</u>	<u>\$ 113,145</u>	<u>\$ 176,738</u>	<u>\$ 1,989,819</u>

**Charter Township of Kalamazoo**  
**COMBINING BALANCE SHEET - enterprise funds**  
December 31, 2006

	<u><b>Golf Course</b></u>	<u><b>Economic Development Loan</b></u>	<u><b>Building Inspections</b></u>	<u><b>Total nonmajor enterprise funds</b></u>
<b>ASSETS</b>				
Current assets:				
Cash	\$ 85,006	\$ 132,378	\$ 26,056	\$ 243,440
Prepaid costs	9,020	-	-	9,020
Receivables, net	-	-	4,483	4,483
Notes receivable - current portion	-	1,500	-	1,500
Total current assets	<u>94,026</u>	<u>133,878</u>	<u>30,539</u>	<u>258,443</u>
Capital assets not being depreciated				
- land	171,000	-	-	171,000
Capital assets, net of accumulated depreciation	<u>78,618</u>	<u>-</u>	<u>-</u>	<u>78,618</u>
Total capital assets	<u>249,618</u>	<u>-</u>	<u>-</u>	<u>249,618</u>
Other assets - notes receivable, net of current portion	<u>-</u>	<u>8,214</u>	<u>-</u>	<u>8,214</u>
TOTAL ASSETS	<u>343,644</u>	<u>142,092</u>	<u>30,539</u>	<u>516,275</u>
<b>LIABILITIES</b>				
Accounts payable	<u>-</u>	<u>-</u>	<u>7,410</u>	<u>7,410</u>
<b>NET ASSETS</b>				
Invested in capital assets	249,618	-	-	249,618
Unrestricted, unallocated	<u>94,026</u>	<u>142,092</u>	<u>23,129</u>	<u>259,247</u>
TOTAL NET ASSETS	<u>\$ 343,644</u>	<u>\$ 142,092</u>	<u>\$ 23,129</u>	<u>\$ 508,865</u>

**Charter Township of Kalamazoo**

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
CHANGE IN FUND NET ASSETS - *enterprise funds***

*Year ended December 31, 2006*

	<u><i>Golf Course</i></u>	<u><i>Economic Development Loan</i></u>	<u><i>Building Inspections</i></u>	<u><i>Total nonmajor enterprise funds</i></u>
<b>OPERATING REVENUES</b>				
Licenses and permits	\$ -	\$ -	\$ 168,137	\$ 168,137
Rentals	<u>18,457</u>	<u>-</u>	<u>-</u>	<u>18,457</u>
Total operating revenues	<u>18,457</u>	<u>-</u>	<u>168,137</u>	<u>186,594</u>
<b>OPERATING EXPENSES</b>				
Salaries	-	-	119,928	119,928
Payroll benefits	-	-	20,849	20,849
Supplies	-	-	2,397	2,397
Purchased services	242	-	34,075	34,317
Telephone	-	-	1,077	1,077
Repairs and maintenance	-	-	2,019	2,019
Travel	-	-	5,085	5,085
Depreciation	<u>15,765</u>	<u>-</u>	<u>-</u>	<u>15,765</u>
Total operating expenses	<u>16,007</u>	<u>-</u>	<u>185,430</u>	<u>201,437</u>
<b>OPERATING INCOME (LOSS)</b>	2,450	-	(17,293)	(14,843)
<b>NONOPERATING REVENUES</b>				
Interest	<u>-</u>	<u>7,195</u>	<u>-</u>	<u>7,195</u>
<b>NET INCOME (LOSS)</b>	2,450	7,195	(17,293)	(7,648)
<b>NET ASSETS - BEGINNING</b>	<u>341,194</u>	<u>134,897</u>	<u>40,422</u>	<u>516,513</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 343,644</u>	<u>\$ 142,092</u>	<u>\$ 23,129</u>	<u>\$ 508,865</u>

**Charter Township of Kalamazoo**

**COMBINING STATEMENT OF CASH FLOWS -enterprise funds**

Year ended December 31, 2006

	<u>Golf Course</u>	<u>Economic Development Loan</u>	<u>Building Inspections</u>	<u>Total nonmajor enterprise funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 18,457	\$ 520	\$ 169,556	\$ 188,533
Payments to suppliers	(242)	-	(44,313)	(44,555)
Payments to employees	-	-	(140,777)	(140,777)
Net cash provided by (used in) operating activities	<u>18,215</u>	<u>520</u>	<u>(15,534)</u>	<u>3,201</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	-	7,195	-	7,195
<b>NET INCREASE (DECREASE) IN CASH</b>	18,215	7,715	(15,534)	10,396
<b>CASH - BEGINNING</b>	<u>66,791</u>	<u>124,663</u>	<u>41,590</u>	<u>233,044</u>
<b>CASH - ENDING</b>	<u>\$ 85,006</u>	<u>\$ 132,378</u>	<u>\$ 26,056</u>	<u>\$ 243,440</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ 2,450	\$ -	\$ (17,293)	\$ (14,843)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	15,765	-	-	15,765
Decrease in receivables, net	-	520	1,419	1,939
Increase in payables, net	-	-	340	340
Net cash provided by (used in) operating activities	<u>\$ 18,215</u>	<u>\$ 520</u>	<u>\$ (15,534)</u>	<u>\$ 3,201</u>

**Members of the Township Board  
Charter Township of Kalamazoo, Michigan**

In planning and performing our audit of the financial statements of the Charter Township of Kalamazoo, Michigan as of and for the year ended December 31, 2006, in accordance with U.S. generally accepted auditing standards, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

- The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of management, the Board of Trustees of the Charter Township of Kalamazoo, and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

*Siegfried Crandall P.C.*

April 14, 2007